



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2017 Biennium

<b>Bill #</b>	HB0582	<b>Title:</b>	Establishing the Catastrophic Health Care Costs Act
<b>Primary Sponsor:</b>	Wittich, Art	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### **FISCAL SUMMARY**

	<b><u>FY 2016 Difference</u></b>	<b><u>FY 2017 Difference</u></b>	<b><u>FY 2018 Difference</u></b>	<b><u>FY 2019 Difference</u></b>
<b>Expenditures:</b>				
General Fund	\$125,000	\$75,000	\$0	\$0
State Special Revenue	\$16,775,889	\$17,747,657	\$19,135,233	\$20,888,385
<b>Revenue:</b>				
General Fund	(\$37,964,660)	(\$38,397,480)	(\$39,702,994)	(\$40,894,084)
State Special Revenue	\$37,964,660	\$38,397,480	\$39,702,994	\$40,894,084
<b>Net Impact-General Fund Balance:</b>	<u><u>(\$38,089,660)</u></u>	<u><u>(\$38,472,480)</u></u>	<u><u>(\$39,702,994)</u></u>	<u><u>(\$40,894,084)</u></u>

**Description of fiscal impact:** HB 582 creates the catastrophic health care act, establishes health care gap analysis reporting, and requires a health care facility cost study for hospital services. The catastrophic health care act would cover about 800 individuals per year and reimburse catastrophic services for costs exceeding \$10,000. HB 582 will be funded primarily from a percentage of the insurance premium tax redirected from the general fund.

### **FISCAL ANALYSIS**

#### **Assumptions:**

#### **Department of Public Health and Human Services (DPHHS)**

1. An estimated 774 individuals will receive coverage during FY 2016 and that enrollment will grow at the Montana population growth over the last 5 years of 0.80% per year.
2. The cost per episode of care for this population is based on a Medicaid rate of \$23,968. The population served under HB 582 is assumed to pay the Medicare rate, which is 4% higher than Medicaid.
3. The cost per episode of care is expected to grow at a rate of 6% each year from FY 2016.
4. The population served has an average of 1.2 episodes of care per year.

5. The eligibility determination process will require income, asset and expense verifications and calculations. Eligibility determination efforts are estimated at two client service coordinators with salary and benefits of \$51,172 each or \$102,344 for FY 2016 and FY 2017. A 1.5% inflationary adjustment is applied in FY 2018 and FY 2019.
6. DPHHS will require the services of 1.00 FTE program manager to oversee the catastrophic health care program. This FTE will manage the third party administrator contract for payment of claims, the contract for the health care gap analysis report, and act as an intermediary between providers and the third party administrator. This FTE will be a band 7 program manager costing salary and benefits of \$94,628 for FY 2016 and FY2017. A 1.5% inflationary adjustment is applied in FY 2018 and FY 2019.
7. DPHHS will require one-time only office-setup and computer purchases in FY 2016 for the additional 3 new FTE, for a total of \$11,500 (\$1,600 office set-up + \$1,275 computer = \$2,875 x 3 = \$8,625).
8. Additional operating expenditures for the FTE is estimated at \$23,679 in FY 2016, \$14,136 in FY 2017, \$14,348 in FY 2018, and \$14,563 in FY 2019. These represent reoccurring cost for rent, maintenance, telephone, network, supplies, etc.
9. DPHHS assumes that eligibility for the catastrophic health care program will be processed through the Combined Health Information and Montana Eligibility System (CHIMES) Medicaid/HMK. Business rules would need to be written into the system for eligibility determination based on the eligibility requirements in the bill.
10. An estimated 200 hours for CHIMES programming changes for business rules to be completed at a cost \$125 per hour.
11. Interfaces would be required between the third party administrator and CHIMES Medicaid/HMK. It is estimated that this work will require approximately 2,500 programming hours to add these interfaces to these systems at a cost of \$125 per hour.
12. DPHHS assumes that TPA duties will be performed by a contractor. It is estimated the contractor will spend 3 hours per individual to review claims with an hourly rate of \$150.
13. New section 9 requires the DPHHS to report on the availability of health care services throughout Montana including the amount of uncompensated care and charity care provided to individuals not eligible for the Montana Medicaid program, the amount of tax-payer subsidized health care provided, and total amount of money spent for individuals not eligible for the Montana Medicaid program. This analysis assumes the DPHHS will contract with a national organization or a university to perform the gap analysis. A contract of this scope and magnitude is estimated to cost a minimum of \$750,000.
14. It is estimated that 150 pages of administrative rules would be required to be published and printed to implement the requirements of this bill. The Secretary of State's office charges \$50 per page for the publication and printing of administrative rules for a one-time only cost of \$7,500.

15. A summary of the estimated benefit and administrative costs are outlined below:

Summary of Financial Impacts				
	FY 2016	FY 2017	FY 2018	FY 2019
<b>Benefit Costs</b>				
Clients with Catastrophic Health Care Costs	<b>774</b>	<b>780</b>	<b>786</b>	<b>793</b>
Average Cost Per Episode (Medicare Rate)	24,927	26,422	28,008	29,688
Average Number of Episodes	1.2	1.2	1.2	1.2
<b>Subtotal Benefits</b>	<b>23,151,938</b>	<b>24,737,382</b>	<b>26,431,398</b>	<b>28,241,420</b>
Less Client Deductible (\$10,000 per client/year)	(7,740,000)	(7,801,920)	(7,864,335)	(7,927,250)
<b>Total Benefits Costs</b>	<b>15,411,938</b>	<b>16,935,462</b>	<b>18,567,063</b>	<b>20,314,170</b>
<b>Administrative Costs</b>				
Client Service Coordinators Personal Services	\$102,344	\$102,344	\$103,879	105,437
Program Manager Personal Services	94,628	94,628	96,047	97,488
FTE Operating Costs and One Time Costs	23,679	14,136	14,348	14,563
Programming of Eligibility System and Interfaces	337,500	0	0	-
Third Party Administration	348,300	351,086	353,895	356,726
Health Care Gap Analysis Report	500,000	250,000	0	-
Administrative Rule Changes	7,500	0	0	-
<b>Total Administrative Cost</b>	<b>\$1,413,951</b>	<b>\$812,194</b>	<b>\$568,170</b>	<b>574,215</b>
<b>Total Benefits and Admin Costs</b>	<b>\$16,825,889</b>	<b>\$17,747,657</b>	<b>\$19,135,233</b>	<b>\$20,888,385</b>

16. A summary of the impact to general fund collections, as a result of HB 582, are outlined below:

Present Law Allocation of Insurance Premium Tax Collections					
		2016	2017	2018	2019
<b>Total Collections</b>	<b>Pct.</b>	<b>99,907,000</b>	<b>101,046,000</b>	<b>104,481,564</b>	<b>107,616,011</b>
Health Montana Kids	33%	32,969,310	33,345,180	34,478,916	35,513,284
HB 582	0%	-	-	-	-
General Fund	67%	66,937,690	67,700,820	70,002,648	72,102,727
HB 582 Allocation of Insurance Premium Tax Collections					
		2016	2017	2018	2019
<b>Total Collections</b>	<b>Pct.</b>	<b>99,907,000</b>	<b>101,046,000</b>	<b>104,481,564</b>	<b>107,616,011</b>
Health Montana Kids	33%	32,969,310	33,345,180	34,478,916	35,513,284
HB 582	38%	37,964,660	38,397,480	39,702,994	40,894,084
General Fund	29%	28,973,030	29,303,340	30,299,654	31,208,643
Differences Between Present Law and HB 582					
		2016	2017	2018	2019
<b>Total Collections</b>	<b>Pct.</b>	<b>99,907,000</b>	<b>101,046,000</b>	<b>104,481,564</b>	<b>107,616,011</b>
Health Montana Kids	33%	-	-	-	-
HB 582	38%	37,964,660	38,397,480	39,702,994	40,894,084
General Fund	29%	(37,964,660)	(38,397,480)	(39,702,994)	(40,894,084)

<b>DPHHS</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	3.00	3.00	3.00	3.00
<b><u>Expenditures:</u></b>				
Personal Services	\$196,972	\$196,972	\$199,927	\$202,925
Operating Expenses	\$1,216,979	\$615,222	\$368,243	\$371,290
Benefits/Claims	\$15,411,938	\$16,935,463	\$18,567,063	\$20,314,170
<b>TOTAL Expenditures</b>	<b>\$16,825,889</b>	<b>\$17,747,657</b>	<b>\$19,135,233</b>	<b>\$20,888,385</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$50,000	\$0	\$0	\$0
State Special Revenue (02)	\$16,775,889	\$17,747,657	\$19,135,233	\$20,888,385
<b>TOTAL Funding of Exp.</b>	<b>\$16,825,889</b>	<b>\$17,747,657</b>	<b>\$19,135,233</b>	<b>\$20,888,385</b>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$37,964,660)	(\$38,397,480)	(\$39,702,994)	(\$40,894,084)
State Special Revenue (02)	\$37,964,660	\$38,397,480	\$39,702,994	\$40,894,084
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$38,014,660)	(\$38,397,480)	(\$39,702,994)	(\$40,894,084)
State Special Revenue (02)	\$21,188,771	\$20,649,823	\$20,567,761	\$20,005,699

<b>Public Service Commission</b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	Unknown	Unknown	Unknown	Unknown
<b><u>Expenditures:</u></b>				
<b>TOTAL Expenditures</b>	<u>\$75,000</u>	<u>\$75,000</u>	<u>Unknown</u>	<u>Unknown</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	<u>\$75,000</u>	<u>\$75,000</u>	<u>Unknown</u>	<u>Unknown</u>
<b>TOTAL Funding of Exp.</b>	<u>\$75,000</u>	<u>\$75,000</u>	<u>Unknown</u>	<u>Unknown</u>
<b><u>Revenues:</u></b>				
General Fund (01)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$75,000)	(\$75,000)	Unknown	Unknown

**Technical Notes:****DPHHS**

1. New Section 3 calls out the duties of the department. However, the 'department' is not included in the definitions section of HB 582. The analysis of fiscal impact included assumes that the DPHHS is the undefined 'department'.
2. New Section 9(4) requires the DPHHS to use data from the most recent time period for which complete data is available. The data required by New Section 9 is not currently captured in a process or system in the state.
3. New Section 3 requires a rate schedule that does not exceed the Medicare-allowable charges and prorates the annual available funding. DPHHS is unable to estimate if the funding will cover all charges in excess of \$10,000.

**Public Service Commission (PSC)**

4. Section 12 of the bill appropriates \$150,000 to the PSC for the health care facility cost study. Because the PSC has no experience or expertise in the health care field, it is unable to make assumptions about the time and resources necessary to complete the required study. However the PSC believes the cost of the comprehensive and multifaceted health care facility cost study required by HB 582 would far exceed the \$150,000 appropriation. Cost would include, but would not be limited to:
  - a. Contracting with an economic consulting firm with significant experience analyzing the health care industry to conduct the study of at least 16 hospitals and 18 outpatient surgical care centers in Montana.
  - b. Comparing executive compensation in 5 states in the region and among nonprofit organizations in Montana.
5. Section 10 of HB 582 requires the PSC to conduct a health care facility cost study for services provided by hospitals and outpatient surgical care centers as defined in 50-5-101, MCA. The study must include: (1) a determination of cost-shifting strategies used in pricing health care services; (2) an evaluation of hospitals' chargemasters used to calculate prices, including the pricing rationale, pricing structure growth rates, and variances by communities or regions; (3) a comparison of hospitals' chargemasters to the actual cost of

providing the medical services; (4) a comparison of hospital executives' compensation packages with those offered by for-profit hospitals, nonprofit hospitals, and for-profit divisions of nonprofit hospitals in Montana, Idaho, North Dakota, South Dakota, Utah, and Wyoming; (5) an analysis of variance of compensation packages among facilities and comparison with compensation packages of executives of similarly sized nonprofit corporations operating in Montana; and (6) an evaluation of the costs and benefits of rate regulation of hospitals and health care systems.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*